

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 2310

Introduced by: HONORABLE AMADO S. BAGATSING

EXPLANATORY NOTE

This measure seeks to amend the National Internal Revenue Code of 1997, as amended by Republic Act No. 9337, to expressly include the Philippine Amusement and Gaming Corporation (PAGCOR) as one of the government-owned or controlled corporations (GOCCs) exempt from income tax, which exemption was previously enjoyed under Republic Act No. 8424.

It is worth noting that prior to the enactment of Republic Act No. 9337, PAGCOR was one of the five (5) government owned corporations which enjoyed exemption from income tax, included among which are the Government Service Insurance System (GSIS), the Social Security System (SSS), the Philippine Health Insurance Corporation (PHIC), and the Philippine Charity Sweepstakes Office (PCSO).

The exclusion of PAGCOR from the class of income tax-exempt GOCCs violates certain basic legal precepts. It must be emphasized that the rationale for the creation of this class of income tax exempt GOCCs is their direct involvement in the various socio-civic and poverty alleviation programs of the Government. They provide direct funding to these programs. PAGCOR on its own provides funds for the implementation of the following laws : a) Early Childhood Care and Development Program; b) Sports Benefits and Incentives Act; c) Gasoline Station and Training and Loan Fund; d) National Museum Act of 1998; e) Comprehensive Dangerous Drugs Act of 2002; f) Children's TV Act of 1997; g) Barangay Micro Business Enterprises Development Fund; h) Philippine Seafarer's One Stop Processing Center; i) The Philippine Sports Commission Act, and, j) An Act Creating a Board of Claims under the Department of Justice for Victims of Unjust Imprisonment or Detention and Victims of Violent Crimes.

In terms of revenue contribution to the government, PAGCOR pays a franchise tax of five percent (5%) of its winnings to the Bureau of Internal Revenue. After deducting the 5% franchise tax, from the remaining balance of ninety five percent (95%), PAGCOR remits to the National Treasury the government share of fifty percent (50%) of its winnings as mandated in its charter. The Office of the President also receives its share of PAGCOR winnings under the President's Social

Fund while cities hosting PAGCOR branches are given a fixed amount for their respective community development projects.

To subject PAGCOR to corporate tax creates an absurd situation where Government is taxing itself – the Government taking money from one pocket and putting it in the other – and there is really no additional revenue generated.

Moreover, PAGCOR's exclusion from the class of GOCCs exempt from corporate income tax is violative of the equal protection clause. It now behooves upon this august chamber to restore to PAGCOR its previous status as exempt from corporate income tax.

It is therefore earnestly requested that this measure be urgently approved.



AMADO S. BAGATSING

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 2310

Introduced by: **HONORABLE AMADO S. BAGATSING**

**AN ACT AMENDING SECTION 27 OF THE NATIONAL INTERNAL
REVENUE CODE OF 1997, AS AMENDED BY REPUBLIC ACT NO. 9337,
EXPRESSLY INCLUDING THE PHILIPPINE AMUSEMENT AND GAMING
CORPORATION (PAGCOR) AS ONE OF THE GOVERNMENT OWNED OR
CONTROLLED CORPORATIONS EXEMPT FROM INCOME TAX**

*Be it enacted by the Senate and the House of Representatives of the
Philippines in Congress Assembled:*

SECTION 1. Section 27 "C" of the National Internal Revenue Code of 1997
is hereby amended to read as follows:

*"(C) Government-owned or - Controlled Corporations Agencies or
Instrumentalities* - The provisions of existing special or general laws to the contrary
notwithstanding, all corporations, agencies, or instrumentalities owned or controlled
by the Government, except the Government Service and Insurance System (GSIS),
the Social Security System (SSS), the Philippine Health Insurance Corporation
(PHIC), THE PHILIPPINE AMUSEMENT AND GAMING CORPORATION
(PAGCOR) and the Philippine Charity Sweepstakes Office (PCSO), shall pay such
rate of tax upon their taxable income as are imposed by this Section upon corporations
or associations engaged in a similar business, industry, or activity.

SEC. 2. Repealing Clause - All laws, decrees, orders, rules and regulations,
other issuances, or parts thereof inconsistent with the provisions of this Act are hereby
repealed, modified or amended accordingly.

SEC. 3. Effectivity. - This Act shall take effect fifteen (15) days after its
publication in at least two (2) newspapers of general circulation.

Approved,